US EQUITY RESEARCH

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Duke Energy Corp

Outlook reaffirmed

Analysts
Elizabelle Pang| grouppresearch@dbs.com
Pei Hwa Ho | groupresearch@dbs.com

Company Overview

Duke is among the largest electric power companies in the US, with >50GW of power capacity and exposure to >8m customers in the Southeastern part of United States (i.e., North Carolina (NC), South Carolina (SC), the Midwest, Florida, Ohio, and Kentucky). Duke has two key business segments, including (i) electric utilities and infrastructure (EU&I) (89% of FY23 group EBIT), and (ii) gas utilities and infrastructure (GU&I) (11%). EU&I provides retail electricity service to >8m customers in NC, SC, Florida, Indiana and Ohio, generated mainly from natural gas and fuel oil, and nuclear. On the other hand, GU&I conducts natural gas operations for 1.6m customers in NC, SC, Tennessee, Ohio, and Kentucky. Following the sale of its 3.4GW unregulated commercial renewables business to Brookfield Renewable in 2023, Duke has transitioned into a fully regulated company.

Investment Overview

Duke positioned as a long-term "grid play". Presently, underdeveloped grids across the world are a bottleneck to renewable energy deployments, with IEA estimating 3TW of renewables pending in grid connection queues. By 2035, Duke aims to invest into enhancing grid reliability and incorporating 30GW of regulated renewable energy, with USD73bn capex plan outlined over the next 5 years and 50% of capital focused on grid investments. Rising national focus on grid infrastructure and government support (e.g., US Infrastructure Investment and Jobs Act) are positive tailwinds for Duke.

2Q25 beat. 2Q25 adjusted EPS of USD1.25 (+6% y/y) exceeded consensus on higher tariff rates in the Carolinas, Florida and Indiana, plus higher volumes, partly offset by planned O&M and interest expense. Supportive energy legislation passed in North Carolina (NC), South Carolina (SC) and Ohio (OH) is expected to support timely cost recovery. Operationally, >8GW of new dispatchable generation and >1GW of fleet improvements with engineering, procurement and construction (EPC) contracts and gas supply were secured. The USD6bn Duke Energy Florida stake sale and USD2.48bn Tennessee LDC divestment – to be closed between 2026 to 2028 – will yield USD7.5bn in net proceeds, funding USD2bn of Florida capex, replacing USD1.5bn of equity needs and cutting USD4bn in debt, boosting credit metrics.

Outlook reaffirmed. Guidance for FY25 EPS of USD6.17-6.42 and 5-7% EPS CAGR through 2029 was reaffirmed, with FFO/debt set to reach 14% this year and 15% over the long-term. Management sees growth at the upper end of its long-term 5-7% EPS CAGR guidance, driven by large-load projects, including Amazon Web Services (AWS)'s USD10bn NC data centre ramping from 2027. Capex remains at USD87bn for 2025-29, with USD4bn added to Florida. The dividend payout target is 60-70%, with ~2% annual growth. Key tailwinds include Southeast/Midwest migration, industrial and data centre demand, and constructive regulation; risks centre on execution of major builds, supply chain constraints, nuclear project overruns, and macro headwinds (e.g., higher interest rates).

We reiterate our BUY rating and maintain TP at USD135, pegged to a forward PE of 21x FY25 EPS (+2.5SD above mean). Duke is currently trading at forward PE of 19x (+1SD above mean).

Risks

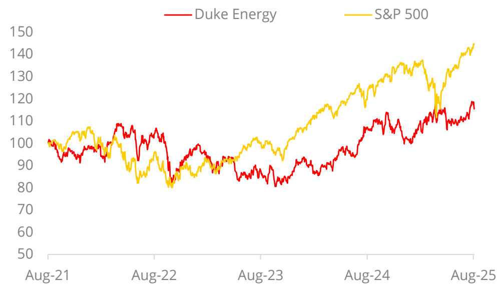
Negative rate case filing results, pushback in clean energy policies/investment plans, higher for longer interest rates, deceleration of the company's rate base growth and macroeconomic risks.

Key Financial Data

Bloomberg Ticker	DUK US
Sector	Utilities
Share Price (USD)	122.45
DBS Rating	BUY
12-mth Target Price (USD)	135.0
Market Cap (USDbn)	95.1
Volume (mn shares)	4.0
Free float (%)	99.7
Dividend yield (%)	3.4
Net Debt to Equity (%)	167.1
Fwd. P/E (x)	19.4
P/Book (x)	1.9
ROE (%)	9.7

Closing Price as of 14 Aug 2025
Source: Bloomberg, DBS

Indexed Share Price vs Composite Index Performance



Source: Bloomberg

Financial Summary

FY Dec (USDmn)	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
Sales	28,768	29,060	30,357	31,631	32,505
% y/y	*14.6*	*1.0*	*4.5*	*4.2*	*2.7*
Gross Profit	18,710	19,381	20,586	21,837	22,597
% y/y	*3.2*	*3.6*	*6.2*	*6.1*	*3.4*
EBITDA	12,874	14,442	15,408	15,584	16,179
% y/y	*8.1*	*12.2*	*6.1*	*6.8*	*3.7*
Net Profit	4,060	4,285	4,542	4,947	5,278
% y/y	*0.8*	*5.5*	*6.0*	*9.0*	*6.7*
FCF	(5,440)	(2,726)	48.00	(2,796)	(2,709)
% y/y	*(481.8)*	*(150.1)*	*(98.2)*	*(4,362.8)*	*(207.2)*
CAPEX	11,367	12,604	12,280	14,145	15,076
% y/y	*17.0*	*10.9*	*(2.6)*	*16.0*	*6.8*
EBITDA Margin %	44.7	49.7	51.3	49.2	49.7
Net Margin %	14.1	14.7	15.0	15.6	16.2
ROA (%)	2.3	2.4	2.5	2.6	2.7
ROE (%)	7.9	8.4	9.0	9.4	9.6
Tax Rate %	7.9	9.2	10.0	12.9	12.9

Source: Visible Alpha

Valuation Metrics

FY Dec	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
P/E (x)	19.5	17.5	18.3	19.2	18.1
P/B (x)	1.7	1.5	1.7	1.8	1.7
Dividend Yield (%)	3.9	4.2	3.8	3.5	3.6
EV/EBITDA (x)	12.7	12.4	11.4	12.1	11.7
FCF Yield %	(6.9)	(3.6)	0.1	(2.9)	(2.8)

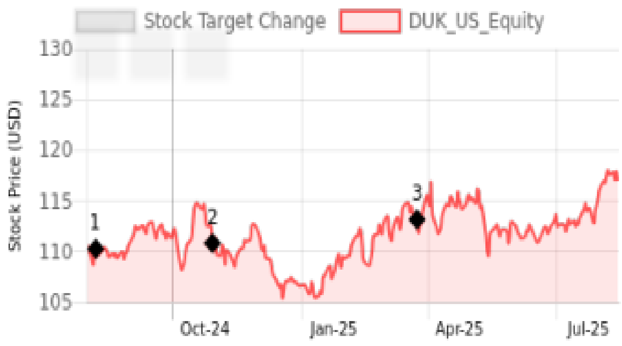
Source: Visible Alpha

Credit & Cashflow Metrics

FY Dec	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
Debt / Equity	134.5	149.9	157.4	158.1	155.1
Net Debt / Equity	1.5	1.5	1.6	1.6	1.6
Debt / Assets	39.2	42.5	43.3	43.9	43.9
Net Debt / Assets	0.4	0.4	0.4	0.4	0.4
EBITDA / Int Exp	5.3	4.8	5.0	4.3	4.3
ST Debt / Total Debt	0.1	0.0	0.1	0.1	0.0
Debt / EBITDA	5.5	5.3	5.3	5.2	5.1
[Cash + CFO] / ST Debt	1.6	3.6	2.9	2.5	3.1
Receivables Days	56.0	14.0	56.2	45.3	43.8
Days Payable	60.3	53.1	65.9	56.7	55.0
Inventory Days	45.5	53.9	54.2	51.5	50.1

Source: Visible Alpha

Target Price & Ratings History



#	Date of Report	Closing Price	12-m Target Price	Rating
1	07 Aug'24	113.51	115.00	HOLD
2	29 Oct'24	114.41	125.00	BUY
3	24 Mar'25	119.10	135.00	BUY

Source: DBS
Analysts: Elizabelle Pang
Pei Hwa Ho

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HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)
FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)
SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

**Share price appreciation + dividends*

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DBS REGIONAL RESEARCH OFFICES

HONG KONG
DBS Bank (Hong Kong) Ltd
Contact: Dennis Lam
13th Floor One Island East,
18 Westlands Road,
Quarry Bay, Hong Kong
Tel: 852 3668 4181
Fax: 852 2521 1812
e-mail: dbsvhk@dbs.com

SINGAPORE
DBS Bank Ltd
Contact: Andy Sim
12 Marina Boulevard,
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: 65 6878 8888
e-mail: groupresearch@dbs.com
Company Regn. No. 196800306E

INDONESIA
PT DBS Vickers Sekuritas (Indonesia)
Contact: William Simadiputra
DBS Bank Tower
Ciputra World 1, 32/F
Jl. Prof. Dr. Satrio Kav. 3-5
Jakarta 12940, Indonesia
Tel: 62 21 3003 4900
Fax: 6221 3003 4943
e-mail: indonesiaresearch@dbs.com

THAILAND
DBS Vickers Securities (Thailand) Co Ltd
Contact: Chanpen Sirithanarattanakul
989 Siam Piwat Tower Building,
9th, 14th-15th Floor
Rama 1 Road, Pathumwan,
Bangkok Thailand 10330
Tel. 66 2 857 7831
Fax: 66 2 658 1269
e-mail: DBSVTresearch@dbs.com
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